

HOUSING SCENE

How does your knowledge of credit scores stack up?

Lew Sichelman
November 19, 2006

WASHINGTON – Get out your pencils. Here's a pop quiz to test your knowledge of credit scores, that all-important number on which mortgage lenders and most other creditors base their decisions not only to grant you a loan but also how much to charge.

A high score means you can obtain a home loan at the best possible rate. Get stuck with a low score and you'll pay dearly, if you can get a loan at all. The difference between a 720 score and 580 could be as much as 3 full percentage points, according to the Consumer Federation of America.

Unfortunately, many people – including lenders – seem to know very little about how the way they handle credit impacts their scores.

“Our sales reps are continuously hearing feedback from mortgage professionals that they, along with their borrowers, do not understand the ramifications their actions have on their credit scores,” says Steve Grant of Credit Plus, a Salisbury, Md.-based credit services firm.

To educate its clients and their customers, Credit Plus developed the following true-or-false statements.

1. Paying off an account that has been turned over to the creditor's collections department or a collection agency will increase your credit score.
2. Closing a credit-card account will increase your score.
3. Having cash on hand in a savings account will improve your score.
4. Borrowing money from a finance company is no different than borrowing from a bank.
5. Seeking the help of a qualified consumer credit counselor will automatically improve your score.
6. You only need to worry about your credit score when you are buying a big-ticket item, such as a house or an automobile.
7. Your credit score differs, depending on the item you are purchasing.
8. A finance-company credit card scores the same as any other credit card.
9. Negative credit information can stay on your record forever.
10. There's nothing wrong with using your maiden name when pulling your credit report and your married name when applying for other credit.

11. If you have poor credit and cannot obtain credit on your own, the best way to start rebuilding your credit record is by obtaining a secured credit card or asking someone to co-sign with you for a major credit card.

[»Next Story»](#)

Find this article at:

http://www.signonsandiego.com/uniontrib/20061119/news_mz1h19scores.html

☐ Check the box to include the list of links referenced in the article.